2010 ANNUAL REPORT

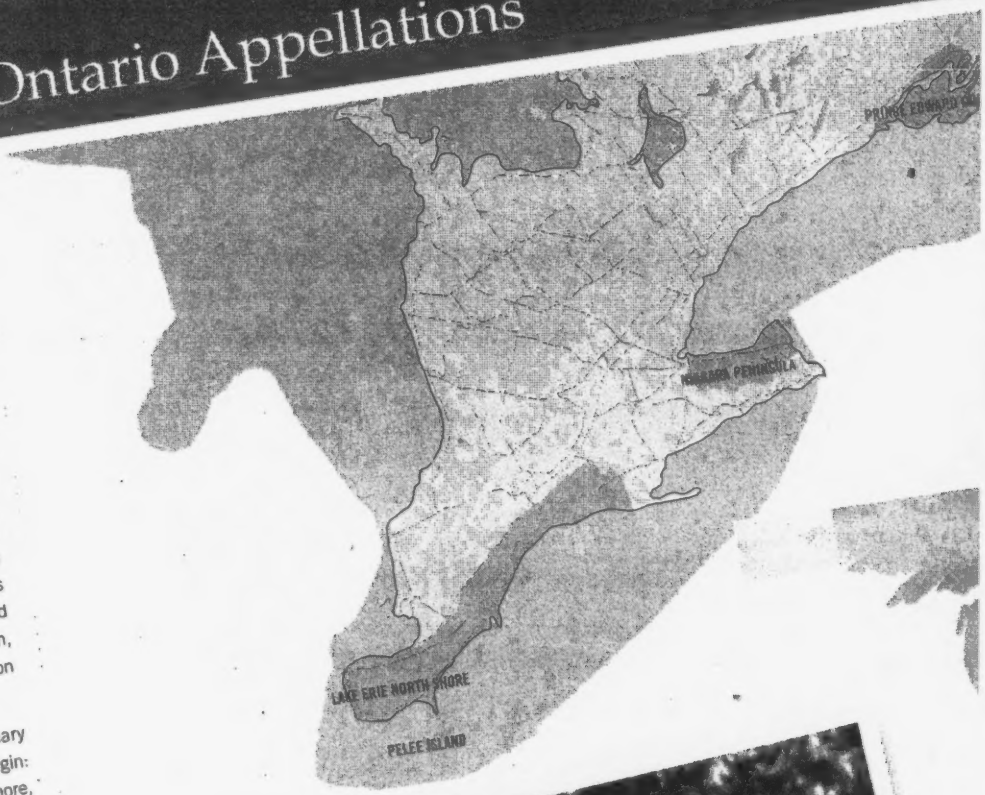
Vintners Quality Alliance Ontario

Setting the standard for Ontario's wines of origin

VQA Ontario

Ontario Appellations

PROVI



Ontario Appellation Overview

Viticulture in Ontario is intimately and dynamically related to terroir – to a sense of place. The physical features of land and climate - the nuances of soil and sun; the minerality and taste characteristics of diverse landscapes – influence the choice of vine cultivars and viticultural practices across Ontario and create unique conditions for the production of grapes and wine. As wineries and winemakers cultivate, interpret and elaborate terroir through wine production, they, in turn, shape our tastes and interaction with the land.

Ontario has so far identified four primary ...ultural Areas or appellations of origin: ... Lake Erie North Shore, ...a County.

Vision:

Consumers will use VQA appellations as their guide to buying authentic wines of origin and quality.

Mission:

Effectively manage the appellation system while encouraging continuous improvements in wine quality. Communicate the VQA assurance of origin and authenticity to consumers.

Values:

Integrity and Fairness

VQA Ontario will carry out its statutory authority with transparency and fairness, and strive to uphold high ethical standards.

Responsiveness and Communications

VQA Ontario will conduct its operations openly, providing its members and the public access to information and timely responses to inquiries. It will adopt and implement appropriate policies to respect the confidentiality of its members and stakeholders. It will promote the value and benefits of VQA wines to consumers.

Firmness and Responsibilty

VQA Ontario will discharge its regulatory responsibilities firmly to ensure VQA terms, descriptions and designations are not misused and consumers can rely on label integrity for all VQA wines.

Accountability

VQA Ontario will be accountable for its decisions and promote effective and fair dispute mediation to resolve conflict.

Effectiveness

VQA Ontario will strive to carry out efficient and cost-effective operations, and continue to pursue service improvements in all areas of operations.

Message from the Chair

As I come to the end of my first year as Chair of the VQA Ontario Board of Directors, I am pleased with the progress that continues to be made towards recognizing our appellations. Consumers' interest in where their food and wine comes from is growing and both consumers and wineries can benefit from the appellation system in place in Ontario. VQA wines continue to be very successful in the marketplace, even with economic uncertainty, and appellations are part of the story.

Last fall, VQA Ontario hosted a media tour for writers from across Canada to raise awareness about appellations and sub-appellations and introduce key media to the educational resources that are now available. The feedback from this event was very positive and is a good indication that the wine press is interested in the origin of Ontario wines.

I am glad to see that the wine trade - wineries, sommeliers, retailers and educators - are taking advantage of this interest in origin and communicating the special link between place and the unique character of wines that come from Ontario's appellations. VQA Ontario provides a number of supports to these efforts, including comprehensive appellation resources on our website for use by wineries, media and consumers. I encourage everyone to use these resources to broaden their understanding of our appellations and pass the knowledge along.

There have been substantial changes in the wine industry recently and the industry continues to evolve and grow. Amid these changes, VQA Ontario aims to maintain a steady focus on appellation. The vision that appellation, quality and integrity will be the foundation for consumer trust in VQA Ontario, and for loyalty to VQA wines, will continue to guide us. I hope that will in turn provide a strong foundation for the local wine industry to succeed.

I thank my fellow Directors on the Board of VQA Ontario for their diligence and feedback that ensures this organization is well governed and accountable. They, along with VQA Ontario's committees and staff, have been invaluable in supporting our objectives. We will continue to work with our partners in government and industry to provide consumers with a credible system to identify wines of origin and build the integrity of Ontario's wine appellations.

Ken Douglas
President and Chair

Executive Director's Report

This past year, the Ministry of Consumer Services carried out a comprehensive review of the regulatory model under which VQA Ontario operates. As a delegated administrative authority, VQA Ontario is an independent corporation which exercises delegated authority from the Province to administer and enforce the VQA Act. VQA Ontario is managed with input from the wine industry but is ultimately accountable to the Province and the public.

I am pleased to report that the review found VQA Ontario to be "a focused and well run organization" and that no specific recommendations were made for changes to VQA Ontario's operating standards or procedures. The review did however suggest the development of additional performance measures to enhance accountability to government and these will be implemented over the next year.

VQA Ontario's core business activities of wine testing, label review and audit and enforcement remain a top priority for the staff organization. Last year saw continued growth in VQA wine sales with a corresponding growth in the number of wineries producing appellation wines and increase in the volume of wines evaluated and audits and inspections conducted.

In line with the Province's Open for Business policies, VQA Ontario implemented a major systems upgrade to replace its manual processing of wine approvals applications with an online system. Wineries are now able to apply and monitor the status of their wines online. The new system streamlines the approvals process, reduces paperwork and provides wineries with better access and the potential to manage their wine approvals more effectively. It will also allow VQA Ontario to generate more comprehensive statistics in the future.

In the fall of 2009, VQA Ontario welcomed Susan Piovesan as a new staff member. Susan brings much needed support with responsibilities in winery inspection and online systems management. More details on activities and statistics on production and compliance are found later in this report.

As always, I am grateful for the direction and support provided by VQA Ontario's Chair, Ken Douglas and his colleagues on the Board of Directors. The Board has brought their collective wisdom to bear on a number of complex issues this year and are fulfilling their leadership role to ensure the continued integrity of our appellation system. And to my small staff, and all those who assist us, you are most appreciated! I especially want to thank the Quality Assurance staff at LCBO for all their hard work and patience in implementing our new online approvals system.

L. Macdonald

Laurie Macdonald
Executive Director

Organization Profile

VQA Ontario was incorporated on November 26, 1998 as a not-for-profit corporation to prepare for the implementation of the *Vintners Quality Alliance Act, 1999*. The VQA Act gained royal assent on May 4, 1999 and was proclaimed into law on June 29, 2000. VQA Ontario is designated as Ontario's wine authority under the Act and is responsible for administering the VQA Act and its regulations under a detailed agreement with the Minister of Consumer Services.

The VQA Act establishes an "Appellation of Origin" system by which consumers can identify quality wines made in Ontario based on the origin of grapes used, production methods and other standards. Wines produced in accordance with VQA regulations may apply for approval and, if successful, are entitled to use the terms, designations and descriptions regulated under the Act.

In addition to its primary mandate to administer and enforce standards under the VQA Act, VQA Ontario is also committed to work with other stakeholders to promote a better understanding of VQA wines, Ontario's wine appellations and the appellation system. This includes providing educational materials and participating in national and international activities related to wine standards and trade.

VQA Ontario is governed by a Board of Directors comprised of nine members elected from its winery members, three members appointed from the Ontario Government, the Grape Growers of Ontario and the Ontario Restaurant, Hotel and Motel Association, and a Past-Chair. The governance structure reflects the principles of self-management, with industry representatives comprising a majority of the Board of Directors with additional representation ensuring balance and accountability. Members of the Board of Directors are listed inside the back cover.

Operations are run by a small permanent staff with assistance provided by the Liquor Control Board of Ontario on a contract for service basis.

Public and Government of Ontario
Minister of Consumer Services

VQA Ontario Board of Directors

Executive Committee
Nominating Committee
Finance and Audit Committee

Standards Development Committee

Executive Director

Contracted Services
- Taste Panels
- Laboratory
- Audit
- Icewine Monitoring

Winery Members Input

Inspectors and administrative staff

Activity Review

VQA Ontario's performance goals include upholding the provisions of the VQA Act and regulations and enhancing recognition and understanding of the VQA appellation system with a focus on origin, quality and integrity. The following reports activities during the period April 1, 2009 to March 31, 2010.

Membership

110 wineries were registered as participants in the VQA program at the end of March 2010. These included 5 large wineries (sales of over 750,000 litres of VQA wines) 20 medium class wineries (sales of 100,000 to 750,000 litres of VQA wines) and 85 small wineries (sales of up to 100,000 litres of VQA wines). Moderate increases in membership are expected to continue over the next few years.

Regular member communications ensured wineries were kept up to date on VQA Ontario's policies and procedures.

Product Approvals

1433 applications for approval to use the VQA designation and descriptive terms regulated under the VQA Act were processed. Each wine must successfully complete comprehensive quality assurance testing including a taste test, laboratory analysis and packaging review. Approvals were granted for 1337 wines, and denied for 96.

The second phase of a secure online system (known as 'WAS') for processing wine approval applications was launched in April 2009. Phase 1 introduced online applications and Phase 2 added online tracking and reporting of results. This major project has resulted in better access and information management for wineries and considerably reduced the paperwork burden. It has also been used to improve timely communications with the regulated community.

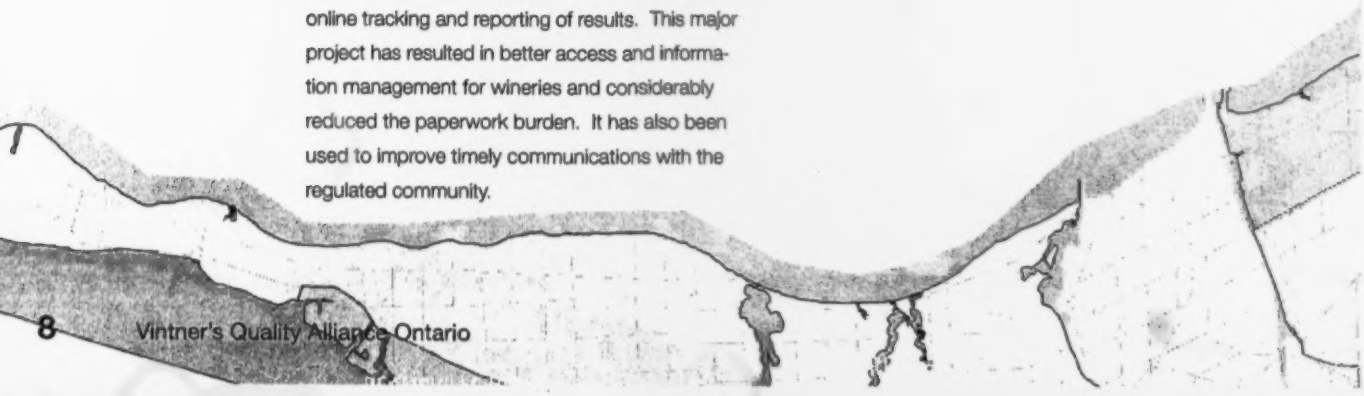
Appellation Awareness

VQA Ontario participated in and supported a number of programs aimed at informing members, the public, consumers and industry groups about VQA appellations of origin, quality standards and the value of a regulated appellation system.

A new dynamic website with greatly enhanced resources on appellation and comprehensive information on VQA and VQA wines was launched in early 2009 and has been used to provide a strong platform for enhancing VQAO's communications infrastructure.

Quality

VQA Ontario continued a two pronged program to support wineries in improving quality outcomes. The Winemakers Forum is a venue where winemakers share their experiences and best practices in an informal setting and discuss techniques that are especially successful in Ontario's unique growing conditions. The second program provides statistics and analysis of results from the VQA taste panel and allows wineries to benchmark themselves and gain insight into how performance might be improved.



Inspections and Audits

210 routine audits were conducted during 2009 – 2010 to verify compliance with origin and production standards for all approved VQA wines. Each winery member was subject to an on-site audit on a 6 to 8 month interval, depending on their compliance record. In addition, 144 random inspections were completed at the retail level, focused primarily on ensuring ongoing compliance with VQA packaging and labelling regulations. As a result of audits and inspections, follow up was conducted in 38 cases. The majority of issues addressed were minor in nature.

ACTIVITY SNAPSHOT

- 4 new member wineries
- 1337 wines approved
- 93% success rate for wine approval applications
- Chardonnay the top production VQA varietal wine
- 159 export certificates issued
- 354 audits and inspections conducted
- 2 compliance orders issued

Enforcement

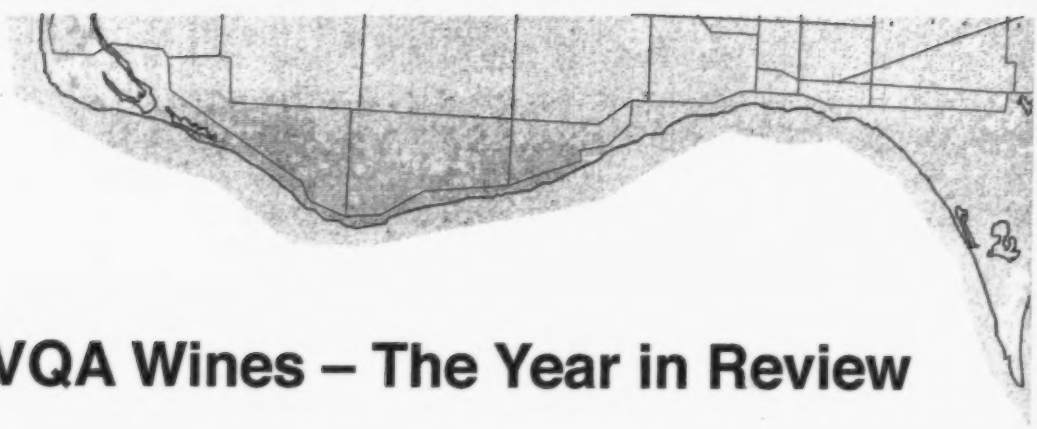
Most compliance issues were resolved with warnings and corrective actions. VQA Ontario issued 2 compliance orders in relation to a winery using regulated terms without approval. Four charges were ultimately laid under the VQA Act in this case. Details on enforcement activity are found later in this report.

Trade and Export Development

Along with stakeholders from industry and government, VQA Ontario continued to participate in discussions to promote recognition and acceptance of the VQA appellation standard and access to world markets. In 2009 this included participating in discussions to develop a national standard and regulatory regime for Icewine. VQA Ontario provides an independent certification process required by the European Union as a condition of access to member states and also provides hygiene certificates for wines destined for Taiwan and China. 159 export certificates were issued last year.

Regulatory Review

Several regulatory amendments were completed in 2009-2010 including changes to permitted bottle closures.



Ontario's VQA Wines – The Year in Review

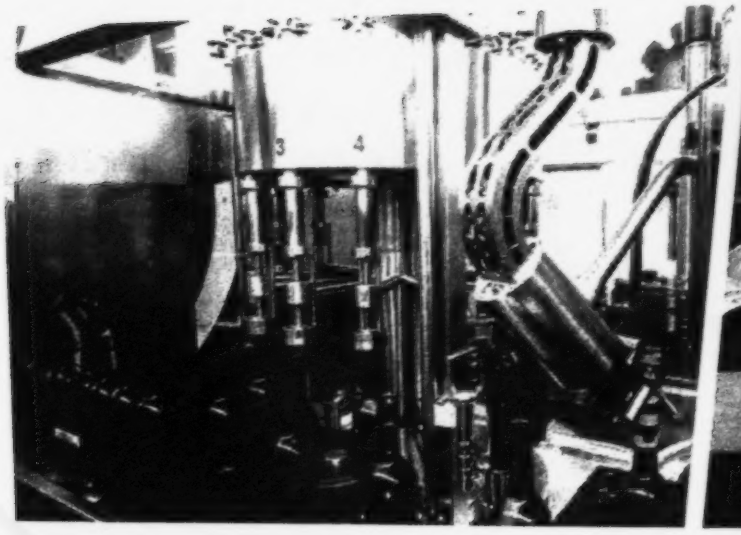
VQA Ontario Wine Sales - Year ending March 31, 2010

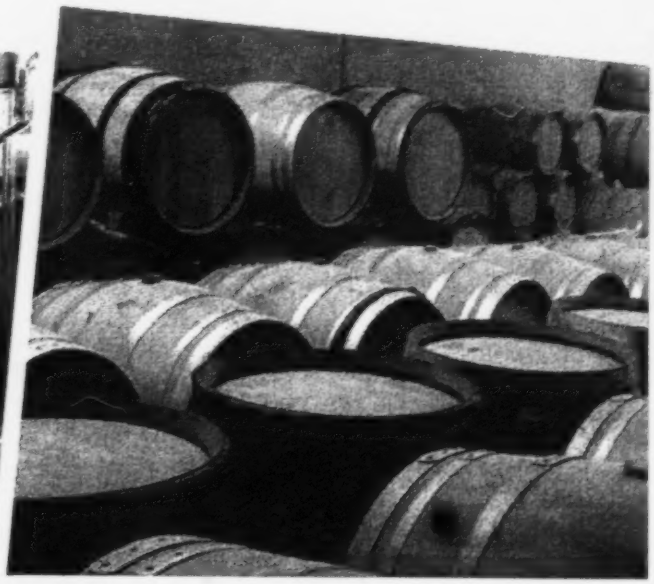
By Volume

	Litres (2010)	Litres (2009)	% Change
Winery Retail	4,761,605	4,041,111	+18
Licensees	2,854,605	2,813,432	+1
LCBO (shipped)	6,240,116	5,287,803	+18
Outside of Ontario and miscellaneous	1,203,587	1,242,743	-3
Total	**15,059,913**	**13,385,089**	**+13**

By Retail Value

	Retail value ($) (2010)	Retail value ($) (2009)	% Change
Winery Retail	98,610,285	86,858,572	+14
Licensees	42,136,457	41,252,326	+2
LCBO (shipped)	95,393,125	84,448,087	+13
Outside of Ontario and miscellaneous	34,064,044	37,391,909	-9
Total	**270,203,911**	**249,950,894**	**+8**





VQA Wine Approvals and Production

These figures are based on volumes declared at the time a wine is submitted for VQA approval (they do not include wines that are still in process or aging prior to submission for approval).

Total number of applications for VQA approval evaluated – **1,433**
Total number of wines approved for VQA status – **1,337**
Total volume of approved wines – **1.86 million cases (16.7 million litres)**
Total estimated grape tonnage used – **23,000 tonnes**

Production at a glance

(April 1, 2009 – March 31, 2010)

Wine Category	# of Products	Volume (9L cases)	Change from last year (volume)
Table Wine	1,144	1,719,979	-13%
Icewine	130	101,165	-14%
Late Harvest	27	19,619	+29%
Other	36	21,785	-30%
Total	**1,337**	**1,862,548**	**-13%**

Table wines

The table wine category includes all still wines but does not include sweet wines. The overall production of table wine was less than the previous year, possibly reflecting economic and industry conditions and re-balancing production and sales. The production of both white and red varietal wine was down significantly from the previous year. Single-varietal wines comprised 62% of all table wines, with dual and triple varietals at 31% and wines that do not declare grape varieties on the label making up the remaining 7% of table wines.

Chardonnay and Riesling continue to be the most popular white varietals based on volume. There was a wide variation in the growth of specific single varietal wines as reported in the following table. No clear trend can be identified in this year's data, and some anomalies may be due simply to the timing of wine approvals which fell just outside the year end reporting period.

Wineries within the Niagara Peninsula are continuing to develop their use of sub-appellation labelling to give consumers more specific information about wine origin. Just over one third of all VQA wines that were approved in the past year specified a sub-appellation on the label.

Wine Production By Category

Single Varietal Wines by Grape Variety

Single Varietal	Year ending March 31, 2010		Year ending March 31, 2009		Year over Year % change (volume)
	Number of approved wines	Volume (9 L cases)	Number of approved wines	Volume (9 L cases)	
WHITE WINES					
Chardonnay	165	231,876	198	397,089	-42%
Riesling	116	213,220	121	214,413	-1%
Sauvignon Blanc	52	71,361	48	68,360	+4%
Pinot Gris/Grigio	41	53,585	55	100,151	-46%
Vidal	22	51,304	28	33,707	+52%
Gewurztraminer	30	19,957	44	43,700	-54%
TOTAL WHITE	**426**	**641,303**	**494**	**857,420**	**-25%**
RED WINES					
Merlot	80	102,390	66	125,060	-18%
Pinot Noir	90	86,744	76	83,763	+4%
Cabernet Franc	66	69,582	52	96,717	-28%
Cabernet Sauvignon	55	65,962	41	44,409	+49%
Baco Noir	27	32,192	37	81,367	-60%
Gamay	25	27,543	19	28,358	-3%
Shiraz/Syrah	32	16,699	23	19,041	-12%
TOTAL RED	**375**	**401,112**	**314**	**478,715**	**-16%**
OTHER (12 varietals)	53	25,366	50	27,207	-7%
TOTAL	**854**	**1,067,781**	**858**	**1,363,342**	**-22%**

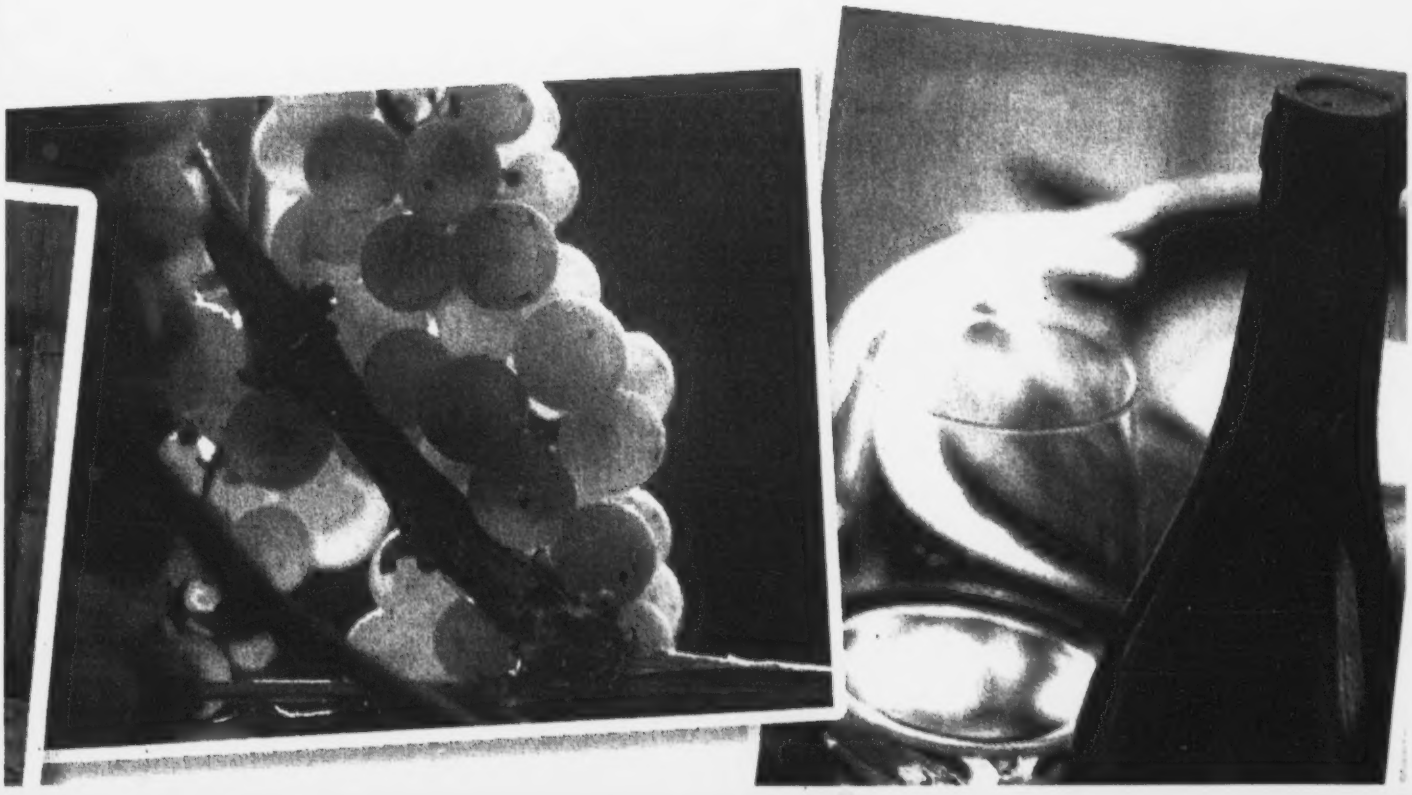
Late Harvest wines *(including Eiswein-affected wines)*

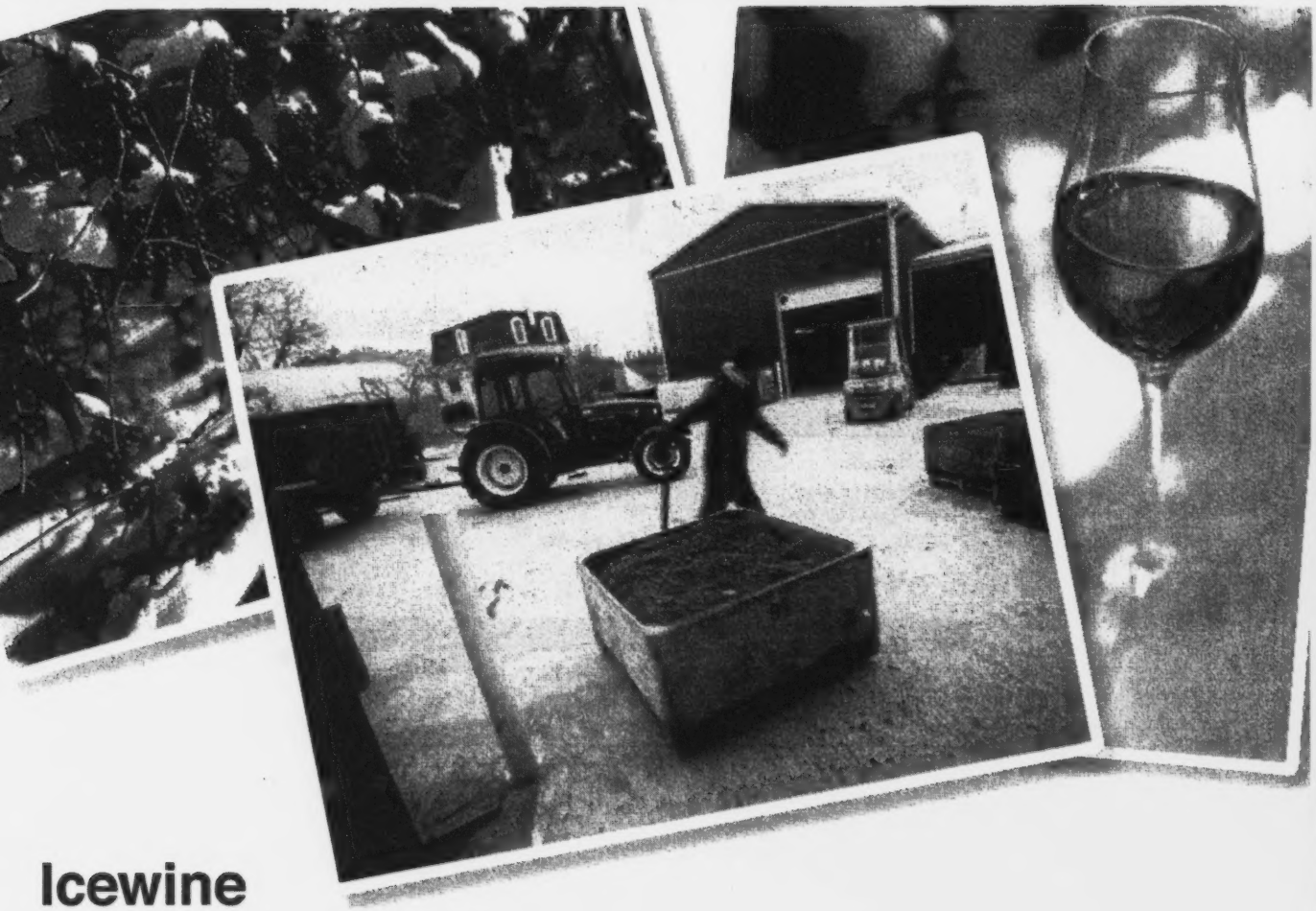
Wine category	Year ending March 31, 2010		Year ending March 31, 2009		Year over Year % change (volume)
	Number of approved wines	Volume (9 L cases)	Number of approved wines	Volume (9 L cases)	
Late Harvest	9	13,739	22	10,662	+29%
Select and Special Select Late Harvest	18	5,880	19	4,546	+29%
TOTAL	**27**	**19,619**	**41**	**15,208**	**+29%**

** less than 5*

Sparkling and Fortified wines

Wine category	Year ending March 31, 2010		Year ending March 31, 2009		Year over Year % change (volume)
	Number of approved wines	Volume (9 L cases)	Number of approved wines	Volume (9 L cases)	
Sparkling wines	27	19,487	15	14,837	+31%
Fortified wines	6	1,411	0	0	-

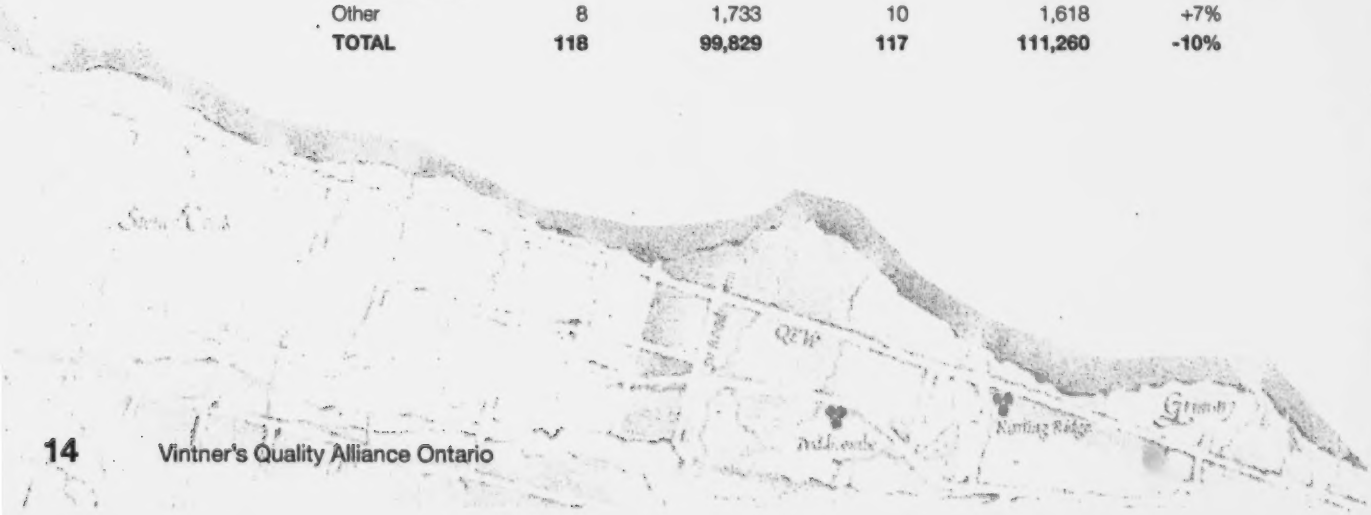


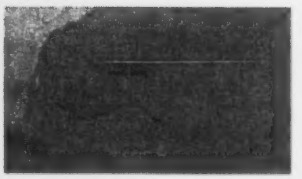


Icewine

Icewines by Variety

Single Varietal	Year ending March 31, 2010		Year ending March 31, 2009		Year over Year % change (volume)
	Number of approved wines	Volume (9 L cases)	Number of approved wines	Volume (9 L cases)	
Vidal	46	75,096	46	83,064	-10%
Cabernet Franc	22	13,204	23	11,139	+19%
Riesling	21	5,522	26	13,027	-58%
Cabernet Sauvignon	13	3,417	7	1,281	+167%
Gewurztraminer	8	857	5	1,131	-24%
Other	8	1,733	10	1,618	+7%
TOTAL	**118**	**99,829**	**117**	**111,260**	**-10%**





Vintage report 2009

Niagara Peninsula – Lake Erie North Shore – Pelee Island – Prince Edward County

Conditions

The 2009 vintage in Ontario's wine appellations began with a snowy winter and wet spring in most of the wine-growing areas. Except for some winter damage resulting from a cold snap in Lake Erie North Shore and Pelee Island, the vines came into the growing season in good health. April was rainy and May drier but with slightly cooler than normal temperatures bringing a slow steady start to flowering.

The summer saw normal temperatures and precipitation overall but the weather in July and August was starkly different. July was cold and rainy with high precipitation in Prince Edward County and Niagara Peninsula. Average temperatures were 2 to 3°C lower than normal across Southern Ontario. August started out with rain and normal temperatures but by the end of the month the sun and warmth returned. By the third week in August, it looked like the grapes would need a week or two of extra ripening time to fully mature. Warmer temperatures and sustained sunshine from late August through September made all the difference. Dry, warm and sunny conditions prevailed for almost a month, pushed ripening along, and harvest began just a few days later than normal.

2009 Vintage Estimates – Late Harvest and Icewine Juice

Variety	Icewine Juice (Litres)			Late Harvest Juice (Litres)		
	2009 Vintage	2008 Vintage	% change	2009 Vintage	2008 Vintage	% change
Vidal	127,810	531,808	-76	21,700	38,280	-43
Riesling	36,136	159,508	-77	8,085	14,530	-44
Cabernet Franc	24,424	170,325	-86	2,280	10,900	-79
Cabernet Sauvignon	21,069	41,684	-49	1,330	6,385	-79
Others	18,851	40,669	-54	3,068	3,850	-20
TOTAL	**228,290**	**943,994**	**-76**	**36,463**	**73,945**	**-51**

Harvest

The warm dry conditions in September were ideal for harvest. White varieties and some earlier ripening red varieties were harvested throughout the month and winemakers were pleased with the quality of the grapes coming in. Concerns about the effects of the cool summer months seemed to dissipate quickly with the long stretch of sun in September.

October brought widely diverse circumstances within a normal average. Temperatures cooled off quickly in early October, with isolated frost and precipitation interrupting harvest. Wetter conditions marked October in Lake Erie North Shore and Pelee Island. Warmer temperatures followed, and harvest picked up quickly, but large week to week variations in temperature occured throughout the month. Many of the later ripening varieties remained on the vine at the end of October.

Harvest continued into November for later ripening reds. By mid-month, the weather became more hospitable and the last of the harvest for table wines was completed by mid to late November.

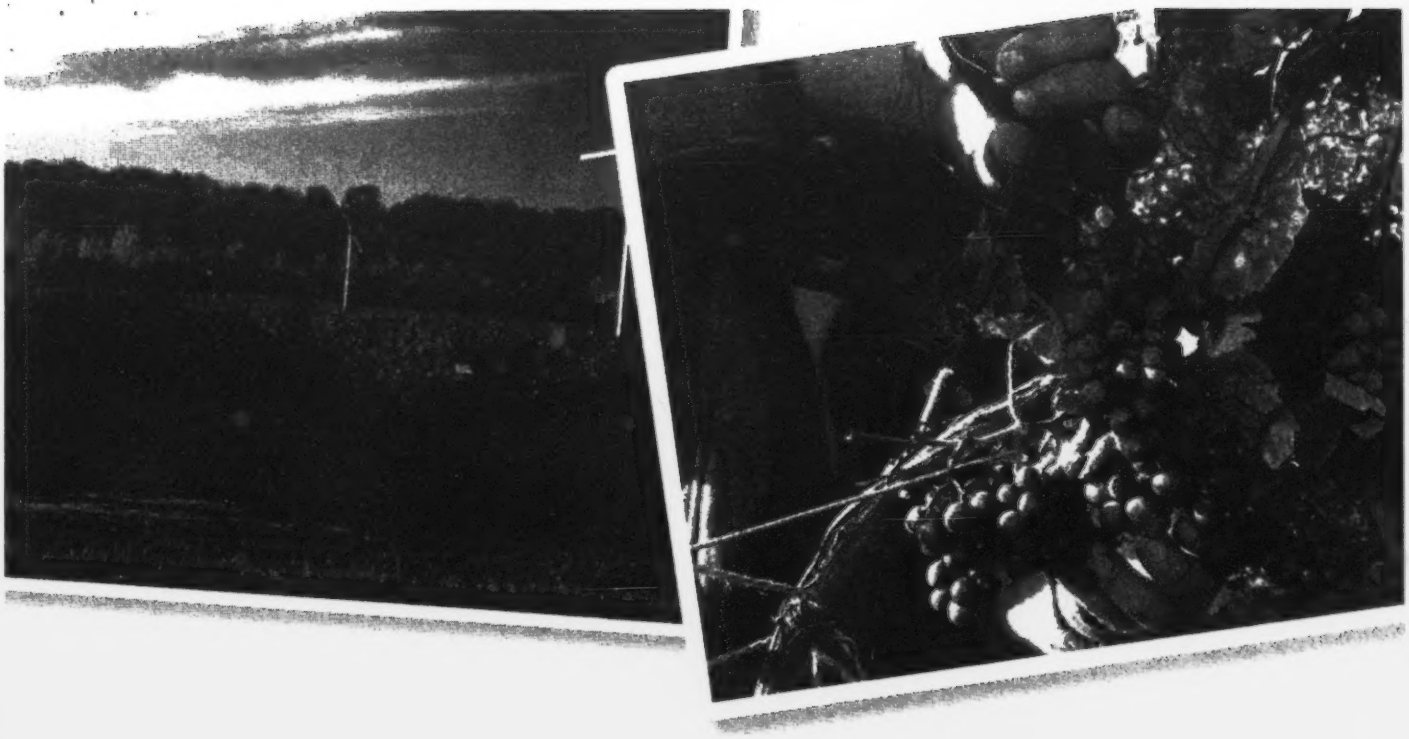
The cool October helped keep grapes left on the vine for Icewine and Late Harvest in good condition.

A significantly reduced tonnage of Icewine grapes was registered in 2009 – 1750 tonnes compared to 6500 tonnes in 2008. The volume of eligible Icewine juice from the 2009 vintage dropped to 228,000 litres to approximately one quarter of last year's production and down to one fifth of the record production in 2006.

Wine Expectations

2009 should be a good vintage for all of the white varieties at which Ontario excels. Conditions were right for Ontario's signature Riesling with a clean balance of fruit and racy acidity. The vintage provided excellent potential for Chardonnay, Sauvignon Blanc, Pinot Gris and Gewurztraminer - all should be capable of exhibiting the classic cool climate characteristics associated with these varieties.

This vintage is also expected to produce excellent quality Pinot Noir and Gamay Noir, both varieties expressing themselves well in a cooler vintage. 2009 was a bit more challenging for the longer ripening reds – Merlot, Cabernet Franc and Cabernet Sauvignon. These varieties will have benefited from crop thinning and extra care in the vineyard to ensure the grapes were fully mature at harvest.



Enforcement Activity

VQA Ontario enforces compliance with the VQA Act and regulations as its primary mandate. The regulatory process starts with the monitoring of grape quality at harvest through independent sugar testing, regular auditing and reconciling of wine making processes, and record-keeping. Once the wine is finished and submitted for VQA approval, taste tests, laboratory tests and label reviews are completed. Only after having successfully completed this process can a wine receive approval and be released for sale, using designated terms and descriptions.

Last year, VQA Ontario conducted 210 full on-site audits, taking from 1 to 3 days each and an additional 144 random, unannounced retail inspections at winery retail stores and LCBO stores. As a result of these activities, a number of problems were uncovered and corrected,. A few cases were discovered where wineries were selling wines before approval but most related to minor labelling violations such as placement of variety names, or graphic discrepancies with the VQA logo.

VQA Ontario also conducts random Quality Assurance Reviews on VQA wines to ensure ongoing product integrity. This involves selecting approved wines on a random basis from a retail setting and re-testing these wines. Results from this process are used to verify that the wine in the bottle is the same wine that was approved.

The overall level of compliance with VQA regulations within Ontario continues to be very good. The majority of infractions are relatively minor and many are uncovered and corrected before products reach the consumer market, Winery compliance with correction requests is excellent and few infractions require enforcement action to achieve compliance.

Investigations led to two compliance orders being issued to a non-participating winery related to the use of VQA regulated terms without approval. These orders eventually led to charges being laid under the VQA Act and resulted in two convictions and a fine of $10,000.

Financial Report

Resourcing

VQA Ontario is funded by its member wineries through sales levies and fees for service. It continues to seek out ways to maximize the efficiency of service delivery, including sharing services with other agencies. VQA Ontario acknowledges the Liquor Control Board of Ontario for its assistance and cooperation in providing contracted services that increase VQA Ontario's efficiency in performing its regulatory role.

Financial Summary

This summary is drawn from the auditor's report and financial statements for the year ended March 31, 2010.

Expenditures exceeded revenue by $26,874 for the year ended March 31, 2010. This operating deficit is part of a longer term plan to move towards a stable break even budget and a sustainable fee structure. Total revenue was $1,186,878 compared to total expenses of $1,213,752. Net assets carried forward are $453,610, down from $480,484 in 2009, reflecting capital expenditures on the new online approvals system and the operating deficit. Net assets include restricted funds in the amount of $200,000 that are allocated to a legal contingency fund as well as general operating contingencies.

Revenue for fiscal 2010 was derived primarily from member bottle fees ($727,044) and approval fees ($321,645).

Total expenditures for the year were $1,213,752 with major expenses including wine approvals and quality monitoring ($408,098), public education and appellation projects ($268,984) and employee costs ($327,381).

Financial Statements

March 31, 2010

Kopstick Osher
Chartered Accountants, LLP

Mark Kopstick C.A.
Benjamin Osher C.A.
William Ganga B.Comm.

In association with
Reiner Goebel C.A.

AUDITORS' REPORT

To the Board of Directors,
Vintners Quality Alliance Ontario

We have audited the statement of financial position of Vintners Quality Alliance Ontario as at March 31, 2010 and the statements of operations, changes in net assets and cash flows for the year then ended. These financial statements are the responsibility of the organization's management. Our responsibility is to express an opinion on these financial statements based on our audit.

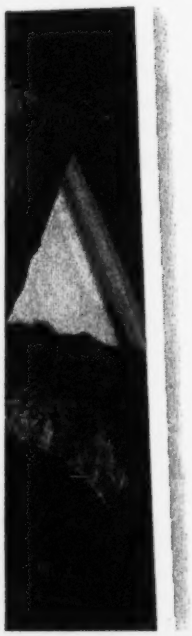
We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the organization as at March 31, 2010 and the results of its operations and cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Kopstick Osher

KOPSTICK OSHER
Chartered Accountants, LLP
Licensed Public Accountants

Toronto, Canada
May 31, 2010



Statement of Financial Position

As at March 31, 2010

	2010	2009
ASSETS		
Current		
Cash	$ 202,566	$ 114,673
Investments - Note 3	200,035	319,899
Accounts receivable	72,735	68,096
Prepaid expenses	7,457	7,749
	482,793	510,417
Investments - Note 3	114,447	110,634
Capital - Note 4	75,594	79,400
	$ 672,834	$ 700,451
LIABILITIES		
Current		
Accounts payable and accruals	$ 203,939	$ 201,252
Deferred revenue - Note 5	15,285	18,715
	219,224	219,967
NET ASSETS		
Net assets	453,610	480,484
	$ 672,834	$ 700,451

The accompanying notes form an integral part of these financial statements

APPROVED BY THE BOARD:

Statement of Changes in Net Assets

For the year ended March 31 2010

	Invested in capital assets	Internally restricted for legal and enforcement fund (note 6)	Unrestricted	2010 Total	2009 Total
Net assets - beginning of year	$ 79,400	$ 200,000	$ 201,084	$ 480,484	$ 607,233
Excess of revenues over expenses (expenses over revenues)	-	-	(26,874)	(26,874)	(126,749)
Purchase of capital assets	18,483	-	(18,483)	-	-
Amortization of capital assets	(22,289)	-	22,289	-	-
Net assets - end of year	$ 75,594	$ 200,000	$ 178,016	$ 453,610	$ 480,484

The accompanying notes form an integral part of these financial statements

Statement of Operations

For the year ended March 31 2010

	2010	2009
Revenues		
Membership fees	$ 112,500	$ 107,000
Bottle fees	727,044	637,985
Approval fees	321,645	287,578
Interest income	11,809	19,371
Other income	13,880	24,240
	1,186,878	1,076,174
Expenses		
Salaries and benefits	327,381	298,701
Contracted services	12,940	22,340
Public education	250,000	250,000
Approvals	387,682	361,143
Quality assurance and inspection	20,416	14,660
Export development and trade	917	4,414
Appellations	18,984	78,772
Weather monitoring	4,000	4,000
Meetings	9,068	5,674
Travel	3,124	4,532
Rent and occupancy	38,400	38,400
Office and general	29,504	28,721
Printing and mailing	11,684	10,508
Telephone and communications	7,169	6,712
Insurance	29,249	29,003
Professional services	40,925	31,471
Amortization	22,289	13,872
	1,213,752	1,202,923
Excess of revenues over expenses (expenses over revenues)	$ (26,874)	$ (126,749)

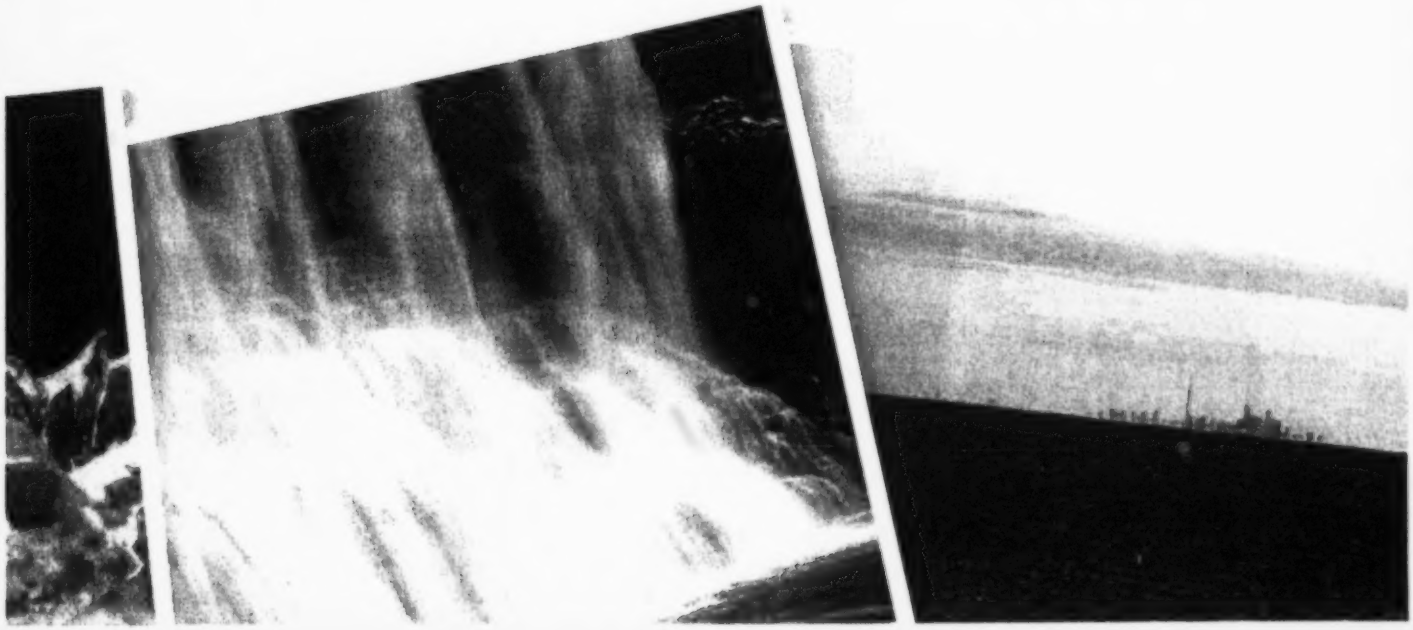
The accompanying notes form an integral part of these financial statements

Statement of Cash Flows

For the year ended March 31 2010

	2010	2009
Cash flows from operating activities		
Excess of revenues over expenses (expenses over revenues)	$ (26,874)	$ (126,749)
Non-cash items:		
Amortization	22,289	13,872
Interest capitalized on investments	(11,677)	(18,991)
Changes in non-cash working capital		
Accounts receivable	(4,639)	(584)
Prepaid expenses	292	5,203
Accounts payable and accruals	2,687	(11,903)
Deferred revenue	(3,430)	(21,660)
	(21,352)	(160,812)
Cash flows from investing activities		
Purchase of investments	(200,000)	(214,303)
Proceeds from disposal of investments	327,728	398,355
Purchase of capital assets	(18,483)	(53,940)
	109,245	130,112
Cash flows from financing activities	-	-
Increase (decrease) in cash	87,893	(30,700)
Cash - beginning of year	114,673	145,373
Cash - end of year	$ 202,566	$ 114,673

The accompanying notes form an integral part of these financial statements



Notes to Financial Statements

March 31, 2010

1. **Purpose and legal form of the organization**

   Vintners Quality Alliance Ontario is an independent organization that administers the Vintners Quality Alliance Act, 1999 and its regulations through an administrative agreement with the Ontario government. It establishes, monitors and enforces a system of quality assurance and verification of product origin for wines bearing the VQA logo.

   Vintners Quality Alliance Ontario exists as a not-for-profit corporation without share capital. It is not subject to income tax.

2. **Significant accounting policies**

   Revenue recognition

   Vintners Quality Alliance follows the deferral method of accounting for revenues. All revenues are recognized in the year to which they pertain.

   Investments

   Investments consist of fixed income term deposits whose term to maturity is greater than three months from the date of acquisition. Fixed income investments maturing within twelve months from year-end are classified as current.

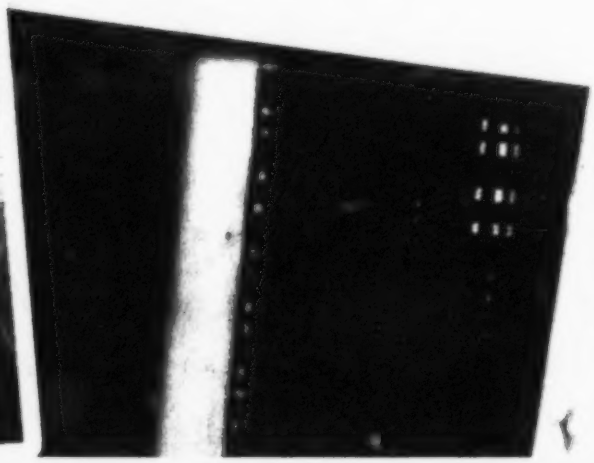
   The investments are classified as held to maturity and are recorded at amortized cost as it is management's primary objective to hold investments to maturity.

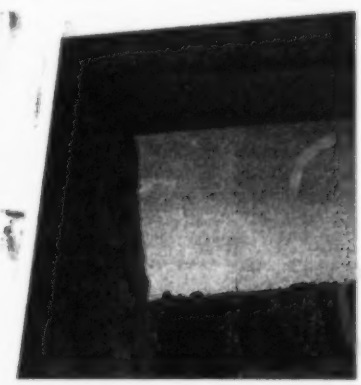
   The amortized cost of a financial asset is the amount at which the financial asset is measured at initial recognition minus principal repayments, plus or minus the cumulative amortization using the effective interest method of any difference between that initial amount and the maturity amount, and minus any reduction for impairment or uncollectability.

   Capital assets

   Capital assets are recorded at cost less accumulated amortization. Amortization is provided for on a straight-line basis at the following annual rates:

Computer equipment	20%
Computer software	20%
Office furniture and equipment	20%





Notes to Financial Statements

March 31, 2010

2. Significant accounting policies (continued)

Contributed materials and services

The organization receives substantial contributed services from members and others through participation on the Board of Directors and other committees. Because of the difficulty in determining their fair value, such services are not recorded in these financial statements.

Use of estimates

The preparation of financial statements in accordance with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from management's best estimates as additional information becomes available in the future.

Financial instruments

Financial assets and liabilities are initially recognized at fair value and their subsequent measurement is dependant on their classification as described below. Their classification depends on the purpose for which the financial instruments were acquired or issued, their characteristics and the organization's designation of such instruments.

Cash
Cash is classified as held for trading, which is measured at fair value. Any fair value fluctuations are included in income.

Investments
Investments are classified as held to maturity, which are measured at amortized cost using the effective interest rate method.

Accounts receivable
Accounts receivable are classified as loans and receivables, which are measured at amortized cost using the effective interest rate method.

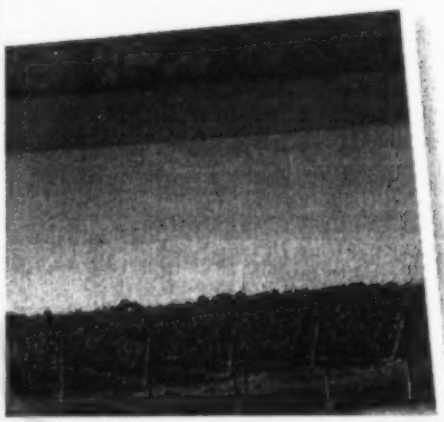
Accounts payable and accruals
Accounts payable and accruals are classified as other liabilities, which are measured at amortized cost using the effective interest rate method.

Effective interest rate method
The organization uses the effective interest rate method to recognize interest income or expense for financial instruments.

3. Investments

	Face value	Amortized Cost
CIBC GIC - Yr1 2.75%: Yr2 3.75%; Yr3 6.00%, maturing July 22, 2011	$ 108,573	$ 114,447
CIBC GIC - 0.25%, maturing April 12, 2010	100,000	100,012
CIBC GIC - 0.50%, maturing October 14, 2010	100,000	100,023
	308,573	314,482
Less: portion maturing within one year of the year-end date	200,000	200,035
Classified as long-term	108,573	114,447

At March 31, 2009, investments at face value and amortized cost were $408,573 and $430,533, respectively.



Notes to Financial Statements

March 31, 2010

4. Capital assets

	Cost	Accumulated Amortization	2010 Net Book Value	2009 Net Book Value
Computer equipment	$ 19,890	$ 11,497	$ 8,393	$ 8,464
Computer software	94,162	27,663	66,499	69,866
Office furniture and equipment	8,637	7,935	702	1,070
	$ 122,689	$ 47,095	$ 75,594	$ 79,400

5. Deferred revenue

Deferred revenue represents membership fees and product approval fees received, which relate to the subsequent year.

6. Net assets internally restricted for legal and enforcement fund

Net assets of $200,000 have been restricted for a specific purpose. They may be used only for enforcing adherence to the regulations of the Vintners Quality Alliance Act.

7. Financial instruments

Fair value of financial instruments

The fair value of a financial instrument is the estimated amount that Vintners Quality Alliance Ontario would receive or pay to settle a financial asset or financial liability at the reporting date.

The carrying values of cash, investments, accounts receivable and accounts payable approximate their fair values due to their liquidity.

Risk management

Risk management is incorporated into Vintners Quality Alliance Ontario day to day management activities and an annual review of risks is completed by the Board.

Vintners Quality Alliance Ontario has exposure to the following risk associated with its financial instruments.

Credit risk

The organization maintains cash and investments, with financial institutions, which are in excess of amounts insured by the Canada Deposit Insurance Corporation (CDIC). Management monitors the soundness of these institutions and considers the organization's risk to be negligible.

8. Commitments

VQA Ontario has entered into an agreement with the Wine Council of Ontario to provide funding in support of activities to promote the awareness, understanding and use of the VQA appellations in the amount of $250,000 in the next fiscal year, with anticipated renewal on an annual basis for up to five years.

9. Comparative amounts

Certain comparative amounts have been reclassified to conform with the current year's presentation.

Board of Directors

Ken Douglas (9 of 9)
Thirteenth Street Winery
President and Chair, VQA Ontario

Brian Schmidt (8 of 9)
Vineland Estates Winery
Vice-Chair, VQA Ontario

Paul Speck (8 of 9)
Henry of Pelham Family Estate Winery
Secretary, VQA Ontario

Newman Smith (9 of 9)
Strewn Inc.
Treasurer, VQA Ontario

Greg Berti (8 of 9)
Andrew Peller Ltd.
Past-Chair, VQA Ontario

Jim Clark (4 of 6)
Colio Estates Winery

Tony Elenis (5 of 9)
Ontario Restaurant, Hotel and Motel Association

Kevin Watson (7 of 8)
Grape Growers of Ontario

Norman Hardie (5 of 9)
Hardie Wines

Keith Bown (4 of 5)
Vincor Canada

Bill Redelmeier (6 of 6)
Southbrook Vineyards

Walter Schmoranz (6 of 9)
Pelee Island Winery

Mary Shenstone (9 of 9)
Ontario Ministry of Intergovernmental Affairs

Attendance at Board meetings:
9 Board meetings were held in 2009-2010. The number of meetings attended by each Director is shown in brackets beside his or her name. Some Directors began their terms on the Board after the beginning of the year and number of meetings held within their term is noted.

Staff and Statutory Appointments

Laurie Macdonald
Executive Director

Barbara Dodds
Executive Assistant and VQA Inspector

Susan Piovesan
VQA Inspector

Photo Credits: Steven Elphick's passion for wine and food translates itself into food, landscape and beverage photographs with a core of truth and beauty. He has been judging wine professionally since 1988.
www.stevenelphick.com

Design: www.richardsdesign.ca

VQA Ontario
1 Yonge Street
Suite 1601
Toronto, ON M5E 1E5

Tel: 416 367 2002
Fax: 416 367 4044